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New Hampshire Municipal Bond Bank

Basic Financial Statements,
Management's Discussion and Analysis
and Required Supplementary Information

Year Ended June 30, 2015
With Independent Auditors' Report

Baker Newman & Noyes, LLC
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NEW HAMPSHIRE MUNICIPAL BOND BANK

BASIC FINANCIAL STATEMENTS,
MANAGEMENT'S DISCUSSION AND ANALYSIS
AND REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2015

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INDEPENDENT AUDITORS' REPORT

Board of Directors
New Hampshire Municipal Bond Bank

We have audited the accompanying financial statements, consisting of the General Operating Fund Group, State Guaranteed Fund Group, Qualified School Construction Fund Group, and Non-State Guaranteed Fund Group of New Hampshire Municipal Bond Bank (the Bond Bank), which comprise the statements of net position as of June 30, 2015, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Hampshire Municipal Bond Bank, as well as the individual fund groups referred to above, as of June 30, 2015, and the respective changes in net position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in notes 2 and 5, the Bond Bank adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, amended by Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, as of July 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Baker Newman & Noyes
Limited Liability Company

Manchester, New Hampshire
October 12, 2015

NEW HAMPSHIRE MUNICIPAL BOND BANK

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

As financial management of the New Hampshire Municipal Bond Bank (the Bond Bank), we offer readers of these financial statements this narrative, overview and analysis of the financial activities of the Bond Bank for the fiscal year ended June 30, 2015. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities of the Bond Bank and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the basic financial statements as a whole.

Financial Highlights

- Revenues for the Bond Bank were $40,055,875 for fiscal year 2015, a decrease of $2,141,279 or 5.07% from fiscal year 2014.

Increase (decrease) in account balances from fiscal year 2014	
Interest on loans receivable from governmental units	$ (2,189,800)
Interest income from investments	87,063
Net decrease in the fair value of investments	(167,295)
Other income	128,753
Total net decrease	$ (2,141,279)

- Investments are recorded at fair value to comply with the Governmental Accounting Standards Board's rules. The Bond Bank generally holds investments until maturity to pay reserve fund bonds as they become due, so fluctuations in the fair value of the investments have a minimal long-term effect.

Operating income for 2015	$ 981,637
Add net decrease in the fair value of investments	904,980
Operating income for 2015 (excluding net decrease in fair value of investments)	$ 1,886,617

- Net position of the Bond Bank increased $981,637 in fiscal year 2015. At June 30, 2015, the Bond Bank had a net position of $18,935,013, an increase of 5.47% from the prior year.

- The Bond Bank's bonds outstanding at June 30, 2015 of $924,597,508 represents a net decrease of $25,922,192 from the balance at June 30, 2014. This decrease was the result of the following activity in fiscal year 2015:

Issued 2014 A, B and 2015 A, B bonds totaling	$ 191,550,000
Capitalized premiums	18,168,911
Amortization of premiums	(4,001,046)
Refunded principal	(156,880,000)
2015 principal paid	(74,760,057)
Total net decrease	$ (25,922,192)

- The Bond Bank provided $67,805,000 in new loans to local governmental units during fiscal year 2015 resulting in a net increase of $19,580,000, which was a 40.6% increase from the loans provided in fiscal year 2014. Reserve bonds totaling $5,235,000 were issued as part of the 2014A issue.

- The provisions of Governmental Accounting Standards Board Statement No. 68, as amended by Governmental Accounting Standards Board Statement No. 71, were adopted as of July 1, 2014. This resulted in a decrease of $206,401 to the net position of the General Operating Fund Group as of July 1, 2014. See Notes 2, 5 and 6 for more information.

- The 2014 B series, issued in December 2014, included a refunding issue resulting in approximately $2.4 million in savings in debt service, with a net present value savings of $2 million. A second refunding was issued in April 2015, series 2015 A, resulting in approximately $9.1 million in savings in debt service, with a net present value savings of $7.1 million. In May 2015, series 2015 B, a third refunding was issued, resulting in approximately $2.1 million in savings in debt service, with a net present value savings of $2 million.

- In April 2015, received upgrade from Aa3 to Aa2 by Moody's Investors Service.

- In June 2015, received upgrade from AA to AA+ by Standard & Poor's Rating Services.

Overview of the Bond Bank

The Bond Bank was created in 1977 by an Act of the New Hampshire Legislature, RSA:35-A, is a public body corporate and politic and is constituted as an instrumentality exercising public and essential governmental functions of the State. The Bond Bank was established to issue bonds for the purpose, among other things, of providing funds to enable it to lend money to counties, cities, towns, school districts or other districts (the governmental units) within the State of New Hampshire. The provision of funds is accomplished by the direct purchase from such governmental units of their bonds, notes or evidence of debt payable from taxes, charges for services or assessments.

As the result of the Bond Bank issuing tax-exempt debt, it is required to prepare arbitrage rebate calculations for each series of bonds outstanding and remit payment to the Internal Revenue Service every five years. The Bond Bank's policy is to review the calculations annually for financial statement purposes. The Bond Bank has hired an outside firm to calculate arbitrage rebate liability and required payments.

Since its inception, the Bond Bank has issued bonds for its non-guaranteed program pursuant to a General Resolution adopted on December 1, 1978, as amended from time to time (the 1978 Resolution). On July 14, 2005, the Bond Bank adopted a new General Resolution (the 2005 Resolution). While substantially similar to the 1978 Resolution, the 2005 Resolution contained a number of improvements, including a flexible reserve fund sizing requirement, wholesale changes in permitted investments, the ability to meet its reserve fund requirement with surety bond policies and other credit facilities, and a streamlined approach to calling bonds for early redemption. The Bond Bank has issued eight series of new money bonds under the terms of the 2005 Resolution, totaling $295,571,000 and one refunding issue in 2015 in the amount of $81,470,000. Series 2015 A refunded the callable bonds for 2006 A, B and 2007 B,C, issued per the 2005 Resolution. Reserve fund bonds in the amount of $5,410,000 were included in the 2015 A refunding to replace the surety policies. The policies will terminate when all of the non-callable maturities have matured. Bonds issued under the 2005 Resolution are separately secured from all other bonds of the Bond Bank, including those issued under the 1978 Resolution. The adoption of the 2005 Resolution has not resulted in any substantive change to the Bond Bank's overall program.

The Bond Bank analyzes the cost effectiveness of the 1978 Resolution and the 2005 Resolution whenever a new issue of bonds is being considered. Due to the downgrades of the surety bond providers, this is no longer a viable method of funding the reserve fund. Depending on the structure of the new bonds and the reserve fund requirements, we analyze the best alternative by comparing the availability of investments in the market and the possibility of purchasing State of New Hampshire bonds. In fiscal year 2015, 2014 A, B and 2015 B bonds were issued per the 1978 Resolution and 2015 A refunding bonds were issued per the 2005 Resolution.

The Bond Bank has purchased surety bond policies to meet the reserve fund requirements for bonds issued under the terms of the 2005 Resolution. Several downgrades of the surety providers occurred between September 2009 and December 2011. The table below summarizes the surety policies purchased by the Bond Bank:

Surety Provider	Amount of Surety Policy	Termination Date of Surety Policy	Ratings as of September 28, 2009			Ratings as of June 30, 2014			Ratings as of June 30, 2015		
			Moody's	S&P	Fitch	Moody's	S&P	Fitch	Moody's	S&P	Fitch
Assured Guaranty Municipal (formerly FSA)	$2,720,665	8/15/37	Aa3	AAA	AA+	A2	AA	With-drawn	A2	AA	With-drawn
Assured Guaranty Municipal (formerly FSA)	$699,604	1/15/18	Aa3	AAA	AA+	A2	AA	With-drawn	A2	AA	With-drawn
National Public Finance (formerly MBIA)	$3,423,250	7/15/15	Baa1	A	With-drawn	A3	AA-	With-drawn	A3	AA-	With-drawn
National Public Finance (formerly MBIA)	$4,824,180	8/15/17	Baa1	A	With-drawn	A3	AA-	With-drawn	A3	AA-	With-drawn
National Public Finance (formerly FGIC)	$5,024,134	8/15/16	With-drawn	With-drawn	With-drawn	With-drawn	With-drawn	With-drawn	A3	AA-	With-drawn
National Public Finance (formerly FGIC)	$1,758,791	1/15/17	With-drawn	With-drawn	With-drawn	With-drawn	With-drawn	With-drawn	A3	AA-	With-drawn

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Bond Bank's financial statements, which is comprised of the basic financial statements and the notes to the financial statements. Since the Bond Bank operates under four separate bond resolutions, the financial statements reflect individual fund activity.

Basic Financial Statements

The basic financial statements are designed to provide readers with a broad overview of the Bond Bank's finances, in a manner similar to a private-sector business.

The financial statements present information on all of the Bond Bank's assets, deferred outflows of resources and liabilities, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Bond Bank is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities, result in increased net position, which may indicate an improved financial position.

The statements of revenues, expenses, and changes in net position present information showing how the Bond Bank's net position changed during the fiscal year. Changes in net position are generally reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Supplemental Information

In addition to the financial statements and the accompanying notes, this report also presents certain required supplementary information, as listed in the table of contents, to provide readers with a broader insight into the financial standing of the Bond Bank.

Financial Analysis

Net position may serve, over time, as a useful indicator of a government's financial position. In the case of the Bond Bank, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $18,935,013 at June 30, 2015. This represents an increase of $981,637 or 5.47% from the previous fiscal year.

By far, the largest portion of the Bond Bank's net position is its investment in loans to governmental units plus bond proceeds remaining in investments held by trustee, less any related debt used to acquire those assets.

NEW HAMPSHIRE MUNICIPAL BOND BANK

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2015

The Bond Bank's financial position and operations for the past two years are summarized below based on information included in the financial statements.

ASSETS	2015	2014 (as restated)	Percentage Change
Current assets:			
Cash	$ 25,881	$ 107,150	(75.85)%
Investments held by trustee, at fair value	23,398,673	20,471,092	14.30
Loans receivable from governmental units	71,371,400	70,716,058	0.93
Accrued investment income receivable	870,064	775,173	12.24
Accrued interest receivable from governmental units	12,787,928	13,599,586	(5.97)
Unamortized bond insurance costs	43,936	64,007	(31.36)
Other current assets	12,462	11,459	8.75
Total current assets	108,510,344	105,744,525	2.62
Noncurrent assets:			
Investments held by trustee, at fair value	93,078,459	84,887,841	9.65
Loans receivable from governmental units	732,449,000	772,926,400	(5.24)
Unamortized bond insurance costs	391,204	856,466	(54.32)
Total noncurrent assets	825,918,663	858,670,707	(3.81)
Total assets	934,429,007	964,415,232	(3.11)
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized rebates to governmental units	1,472,751	1,889,182	(22.04)
Unamortized deferred loss on refundings	22,252,777	18,426,249	20.77
Pension contributions	16,523	16,030	3.08
Total deferred outflows of resources	23,742,051	20,331,461	16.77
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	23,441	51,945	(54.87)
Accrued interest payable	14,060,648	15,688,943	(10.38)
Accrued interest rebate payable to U.S. Government	252,047	256,772	(1.84)
Bonds payable	79,594,802	78,096,834	1.92
Total current liabilities	93,930,938	94,094,494	(0.17)
Noncurrent liabilities:			
Accrued interest rebate payable to U.S. Government	85,169	53,526	59.12
Bonds payable	845,002,706	872,422,866	(3.14)
Accrued pension liability	185,468	222,431	(16.62)
Total noncurrent liabilities	845,273,343	872,698,823	(3.14)
Total liabilities	939,204,281	966,793,317	(2.85)
DEFERRED INFLOWS OF RESOURCES:			
Pension adjustments	31,764	–	100.00
Total deferred inflows of resources	31,764	–	100.00
NET POSITION			
Total net position	$ 18,935,013	$ 17,953,376	5.47%

Total cash and investments held by trustee increased $11,036,930 or 10.46% at June 30, 2015 compared to June 30, 2014. The Bond Bank's investment portfolio is comprised of cash and cash equivalents, U.S. Government obligations (including treasury bills, notes, and bonds), U.S. Treasury strips, U.S. Government sponsored enterprise strips, NH G.O. Capital Improvement Bonds, certificates of deposit and fixed income mutual funds. The Bond Bank's investments are carried at fair value. Unrealized gains and losses (primarily due to fluctuations in market values) are recognized in the statements of revenues, expenses and changes in net position.

The Bond Bank's loans receivable from governmental units decreased $39,822,058 in fiscal year 2015. The Bond Bank's total new loan originations in 2015 of $67,805,000 were 40.6% higher than 2014 originations of $48,225,000. Principal repayments in 2015 of $107,627,000 were 53.6% higher than 2014 principal repayments of $70,077,000 due to the Bedford School District refinancing its outstanding loan balance of $35,330,000 in 2015. Net bonds payable decreased 2.73%.

Net position increased 5.47% in fiscal year 2015. The Bond Bank continued to maintain a positive spread of income from investments and loans to governmental units over bond interest and operating expenses.

	2015	2014 (as restated)	Percentage Change
Interest on loans receivable from governmental units	$36,725,773	$38,915,573	(5.63)%
Interest income from investments	3,924,240	3,837,177	2.27
Net decrease in the fair value of investments	(904,980)	(737,685)	22.68
Other income	310,842	182,089	70.71
Total operating revenues	40,055,875	42,197,154	(5.07)
Interest expense	37,479,212	40,145,328	(6.64)
Operating expenses	356,395	377,244	(5.53)
Other expense	1,238,631	308,792	301.12
Total operating expenses	39,074,238	40,831,364	(4.30)
Operating income	981,637	1,365,790	(28.13)
Net position, beginning of year, as previously reported	18,159,777	16,810,017	8.03
Effect of change in accounting principle on beginning of year net position	(206,401)	(222,431)	(7.21)
Net position, beginning of year, as restated	17,953,376	16,587,586	8.23
Net position, end of year	$18,935,013	$17,953,376	5.47%

Operating revenues are generated principally from interest earned on investments and from fees and interest received from governmental units. The Bond Bank's annual operating budget is approved by the Board of Directors.

The net decrease in the fair value of investments in 2015 of $904,980 (versus a net decrease in the fair value of investments in 2014 of $737,685, which equates to a total change in this account of $167,295) was caused by movements in market interest rates during the year that had a negative impact on the fair value of investments held by the Bond Bank.

The increase in other income and other expense was mainly due to the fact that four bonds, one new money bond, one combined new money refunding bond and two refunding bonds, were issued in fiscal year 2015 versus the issuance of one new bond in fiscal year 2014.

Requests for Information

This financial report is designed to provide a general overview of the Bond Bank's financial statements for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Executive Director, New Hampshire Municipal Bond Bank, 25 Triangle Park Drive, Suite 102, Concord, New Hampshire 03301.

NEW HAMPSHIRE MUNICIPAL BOND BANK

STATEMENTS OF NET POSITION

June 30, 2015

ASSETS	General Operating Fund Group	Municipal Division: State Guaranteed Fund Group	Municipal Division: Qualified School Construction Fund Group	Municipal Division: Non-State Guaranteed Fund Group	Total
Current assets:					
Cash (note 3)	$ 25,881	$ –	$ –	$ –	$ 25,881
Investments held by trustee, at fair value (note 3):					
Cash equivalents	463,132	61,273	41	13,703,195	14,227,641
Investments	4,069,537	–	–	–	4,069,537
Reserve Fund investments (note 4)	–	39,989	–	5,061,506	5,101,495
Loans receivable from governmental units (note 4)	–	325,000	2,940,000	68,106,400	71,371,400
Accrued investment income receivable	5,792	–	–	864,272	870,064
Accrued interest receivable from governmental units	–	19,013	561,110	12,207,805	12,787,928
Unamortized bond insurance costs	–	–	–	43,936	43,936
Other current assets	12,435	–	–	27	12,462
Total current assets	4,576,777	445,275	3,501,151	99,987,141	108,510,344
Noncurrent assets:					
Reserve Fund investments held by trustee, at fair value (notes 3 and 4):					
Cash equivalents	–	–	–	3,813,456	3,813,456
Investments	–	382,515	–	88,882,488	89,265,003
Loans receivable from governmental units (note 4)	–	650,000	32,085,000	699,714,000	732,449,000
Unamortized bond insurance costs	–	–	–	391,204	391,204
Total noncurrent assets	–	1,032,515	32,085,000	792,801,148	825,918,663
Total assets	4,576,777	1,477,790	35,586,151	892,788,289	934,429,007
DEFERRED OUTFLOWS OF RESOURCES					
Unamortized rebates to governmental units	–	48,960	–	1,423,791	1,472,751
Unamortized deferred loss on refundings	–	24,487	–	22,228,290	22,252,777
Pension contributions (notes 5 and 6)	16,523	–	–	–	16,523
Total deferred outflows of resources	16,523	73,447	–	23,652,081	23,742,051

LIABILITIES	General Operating Fund Group	Municipal Division State Guaranteed Fund Group	Municipal Division Qualified School Construction Fund Group	Municipal Division Non-State Guaranteed Fund Group	Total
Current liabilities:					
Accounts payable and accrued liabilities	$ 22,963	$ –	$ –	$ 478	$ 23,441
Accrued interest payable	–	16,744	561,110	13,482,794	14,060,648
Accrued interest rebate payable to U.S. Government	–	–	–	252,047	252,047
Bonds payable (note 4)	–	329,320	2,940,000	76,325,482	79,594,802
Total current liabilities	22,963	346,064	3,501,110	90,060,801	93,930,938
Noncurrent liabilities:					
Accrued interest rebate payable to U.S. Government	–	44,954	–	40,215	85,169
Bonds payable (note 4)	–	933,630	32,085,000	811,984,076	845,002,706
Accrued pension liability (notes 5 and 6)	185,468	–	–	–	185,468
Total noncurrent liabilities	185,468	978,584	32,085,000	812,024,291	845,273,343
Total liabilities	208,431	1,324,648	35,586,110	902,085,092	939,204,281
DEFERRED INFLOWS OF RESOURCES					
Pension adjustments (notes 5 and 6)	31,764	–	–	–	31,764
Total deferred inflows of resources	31,764	–	–	–	31,764
NET POSITION					
Total net position	$4,353,105	$ 226,589	$ 41	$ 14,355,278	$ 18,935,013

See accompanying notes to the financial statements.

NEW HAMPSHIRE MUNICIPAL BOND BANK

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

For the Year Ended June 30, 2015

	General Operating Fund Group	Municipal Division: State Guaranteed Fund Group	Municipal Division: Qualified School Construction Fund Group	Municipal Division: Non-State Guaranteed Fund Group	Total
Operating revenues:					
Interest on loans receivable from governmental units	$ –	$ 49,622	$1,920,035	$34,756,116	$36,725,773
Interest income from investments	123,992	36,990	21	3,763,237	3,924,240
Net decrease in the fair value of investments	(151,406)	(46,593)	–	(706,981)	(904,980)
Other income	290,088	–	–	20,754	310,842
Total operating revenues	262,674	40,019	1,920,056	37,833,126	40,055,875
Operating expenses:					
Interest expense	–	53,902	1,920,035	35,505,275	37,479,212
Operating expenses	356,395	–	–	–	356,395
Other expense	–	–	–	1,238,631	1,238,631
Total operating expenses	356,395	53,902	1,920,035	36,743,906	39,074,238
Operating (loss) income	(93,721)	(13,883)	21	1,089,220	981,637
Net position, beginning of year, as previously reported	4,653,227	240,472	20	13,266,058	18,159,777
Effect of change in accounting principle on beginning of year net position (note 5)	(206,401)	–	–	–	(206,401)
Net position, beginning of year, as restated	4,446,826	240,472	20	13,266,058	17,953,376
Net position, end of year	$4,353,105	$ 226,589	$ 41	$14,355,278	$18,935,013

See accompanying notes to the financial statements.

NEW HAMPSHIRE MUNICIPAL BOND BANK

STATEMENTS OF CASH FLOWS

For the Year Ended June 30, 2015

	General Operating Fund Group	Municipal Division: State Guaranteed Fund Group	Municipal Division: Qualified School Construction Fund Group	Municipal Division: Non-State Guaranteed Fund Group	Total
Operating activities:					
Cash received from governmental units	$ –	$ 695,471	$ 4,912,215	$ 139,973,234	$ 145,580,920
Cash payments to governmental units	–	–	–	(67,805,000)	(67,805,000)
Cash received (paid) from other income (expense)	290,088	–	–	(8,247)	281,841
Cash paid for operating expenses	(361,590)	–	–	–	(361,590)
Cash payments for bond issuance costs	–	–	–	(1,238,631)	(1,238,631)
Cash paid for other assets	(976)	–	–	(27)	(1,003)
Net cash (used) provided by operating activities	(72,478)	695,471	4,912,215	70,921,329	76,456,537
Investing activities:					
Purchases of investments	–	–	–	(14,939,921)	(14,939,921)
Proceeds from sale and maturities of investments	–	308,595	–	4,862,944	5,171,539
Interest received on investments	122,599	52,416	21	3,718,227	3,893,263
Interest rebate paid to U.S. Government	–	(19,543)	–	(17,453)	(36,996)
Net cash provided (used) by investing activities	122,599	341,468	21	(6,376,203)	(5,912,115)
Noncapital financing activities:					
Proceeds from bonds payable	–	–	–	209,718,911	209,718,911
Deposit paid to refunding escrow	–	–	–	(162,515,954)	(162,515,954)
Principal paid on bonds payable	–	(720,057)	(2,945,000)	(71,095,000)	(74,760,057)
Interest paid on bonds payable	–	(258,887)	(1,967,215)	(38,587,692)	(40,813,794)
Net cash used by noncapital financing activities	–	(978,944)	(4,912,215)	(62,479,735)	(68,370,894)
Increase in cash and cash equivalents	50,121	57,995	21	2,065,391	2,173,528
Cash and cash equivalents, beginning of year	438,892	3,278	20	15,451,260	15,893,450
Cash and cash equivalents, end of year	$ 489,013	$ 61,273	$ 41	$ 17,516,651	$ 18,066,978

NEW HAMPSHIRE MUNICIPAL BOND BANK

STATEMENTS OF CASH FLOWS (CONTINUED)

For the Year Ended June 30, 2015

	General Operating Fund Group	Municipal Division: State Guaranteed Fund Group	Municipal Division: Qualified School Construction Fund Group	Municipal Division: Non-State Guaranteed Fund Group	Total
Statement of net position classification:					
Cash	$ 25,881	$ –	$ –	$ –	$ 25,881
Cash equivalents – investments held by trustee	463,132	61,273	41	13,703,195	14,227,641
Cash equivalents – reserve fund investments held by trustee	–	–	–	3,813,456	3,813,456
	$ 489,013	$ 61,273	$ 41	$ 17,516,651	$ 18,066,978
Reconciliation of operating (loss) income to net cash (used) provided by operating activities:					
Operating (loss) income	$ (93,721)	$ (13,883)	$ 21	$ 1,089,220	$ 981,637
Adjustments to reconcile operating (loss) income to net cash (used) provided by operating activities:					
Interest income from investments	(123,992)	(36,990)	(21)	(3,763,237)	(3,924,240)
Net decrease in the fair value of investments	151,406	46,593	–	706,981	904,980
Amortization of rebates to governmental units	–	26,291	–	390,140	416,431
Interest expense on bonds payable	–	53,902	1,920,035	35,505,275	37,479,212
Change in assets and liabilities:					
Loans receivable from governmental units	–	435,058	2,945,000	36,442,000	39,822,058
Accrued interest receivable from governmental units	–	184,500	47,180	579,978	811,658
Other assets	(976)	–	–	(27)	(1,003)
Accrued pension liability	(5,692)	–	–	–	(5,692)
Accounts payable and accrued liabilities	497	–	–	(29,001)	(28,504)
Net cash (used) provided by operating activities	$ (72,478)	$ 695,471	$ 4,912,215	$ 70,921,329	$ 76,456,537

See accompanying notes to the financial statements.

1. Organization

The New Hampshire Municipal Bond Bank (Bond Bank) was created in 1977 by Chapter 35-A (Act) of the State of New Hampshire (State) Revised Statutes Annotated. The Bond Bank is an instrumentality of the State, but is not a State agency and has no taxing authority. The Bond Bank has separate corporate and sovereign capacity and its board of directors is composed of the State Treasurer (who serves as director ex officio) and four directors appointed by the Governor and Executive Council. The Bond Bank has no oversight authority over any other entity.

Under the Act, the Bond Bank is empowered to issue its bonds to make funds available to governmental units having the power to levy taxes (county, city, town, school district, village district or other body corporate and politic), through the purchase by the Bond Bank of their municipal bonds. The governmental units enter into loan agreements with the Bond Bank pursuant to which they issue municipal bonds. Accordingly, the Bond Bank generally enables governmental units to issue debt at a lower cost of borrowing and on more favorable terms than would be possible by financing on their own. As discussed below, the Act was amended in 1982 to establish the Educational Institutions Division.

To achieve its purpose, the Bond Bank operates the following divisions and programs:

General

General Operating Fund Group consists of the operating revenues and expenses incurred by the Bond Bank in administering the resolutions under which it is operating. The resolutions have been grouped into two categories, the Municipal Division and the Educational Institution Division. The General Operating Fund Group was created in July 2011 through transfers from the State Guaranteed Fund Group and the Qualified School Construction Fund Group. No State appropriations are made to the Bond Bank. Fees and charges are received by the Bond Bank for the use of its services or facilities. These fees and charges, along with income from investments, provide for the annual operating costs of the Bond Bank. Prior to the formation of the General Operating Fund Group, the Bond Bank's operating revenues and expenses were included in the revenues and expenses of the State Guaranteed Fund Group, Non-State Guaranteed Fund Group and Coe-Brown Northwood Academy Fund Group.

Municipal Division

State Guaranteed Fund Group bonds issued are not a debt of the State of New Hampshire, and the State is not liable on such bonds. However, the municipal bonds issued through the Bond Bank are guaranteed as to payment of principal and interest by a pledge of the full faith and credit of the State of New Hampshire. The Bond Bank has issued bonds for its State Guaranteed program pursuant to a General Resolution adopted on July 19, 1979, as amended from time to time (the "1979 Resolution").

Qualified School Construction Fund Group bonds issued are not a debt of the State of New Hampshire, and the State is not liable on such bonds. However, the municipal bonds issued through the Bond Bank are guaranteed as to 75 percent of principal and interest by a pledge of the full faith and credit of the State of New Hampshire. The Bond Bank has issued bonds for its Qualified School Construction program pursuant to a General Resolution adopted on June 2, 2010 (the QSCB Resolution).

Non-State Guaranteed Fund Group bonds issued are not a debt of the State of New Hampshire, and the State is not liable on such bonds.

1. Organization (Continued)

Since its inception, the Bond Bank has issued bonds for its Non-State Guaranteed program pursuant to a General Resolution adopted on December 1, 1978, as amended from time to time (the 1978 Resolution). On July 14, 2005, the Bond Bank adopted a new General Resolution (the 2005 Resolution). While substantially similar to the 1978 Resolution, the 2005 Resolution contains a number of improvements, including a flexible reserve fund sizing requirement, some changes in permitted investments, the ability to meet its reserve fund requirement with surety bond policies and other credit facilities, and a streamlined approach to calling bonds for early redemption. The adoption of the 2005 Resolution has not resulted in any substantive change to the Bond Bank's overall program. Total bonds payable outstanding under the 2005 Resolution, which are reported under the Non-State Guaranteed Fund Group, were approximately $165,850,000 at June 30, 2015.

Bonds issued under the 2005 Resolution are separately secured from all other bonds of the Bond Bank, including those issued under the 1978 Resolution. Bonds issued under the 2005 Resolution (through 2008) have met the reserve fund requirements through the purchase of surety bond policies. Providers of these policies have been downgraded since their purchase. The table below summarizes the surety policies purchased by the Bond Bank:

Surety Provider	Amount of Surety Policies	Ratings as of June 30, 2015	
		Moody's	S&P
Assured Guaranty Municipal	$3,420,269	A2	AA
National Public Finance Guaranty Corporation	8,247,430	A3	AA-
National Public Finance (formerly FGIC)	6,782,925	A3	AA-

2. Significant Accounting Policies

Proprietary Fund Accounting

The Bond Bank is accounted for as an Enterprise Fund. An Enterprise Fund is used to account for an operation where periodic determination, on an accrual basis, of revenues earned, expenses incurred and net income is appropriate. Accordingly, the Bond Bank recognizes revenues in the period earned and expenses in the period incurred (i.e. the accrual basis of accounting).

As discussed below, the Bond Bank complies with Governmental Accounting Standards Board (GASB) statements codified under GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62).

2. Significant Accounting Policies (Continued)

The financial statements are prepared in accordance with GASB Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus – an amendment of GASB Statement No. 21* and *No. 34* and *No. 38*, *Certain Financial Statement Note Disclosures*.

Federal Income Taxes

It is the opinion of management that the Bond Bank is exempt from federal income taxes under Internal Revenue Code (IRC) Section 115, and that the Bond Bank has maintained its tax-exempt status and has no uncertain tax positions that require adjustment or disclosure in these financial statements. However, the Bond Bank is subject to the arbitrage rebate requirements of Section 148 of the IRC. Section 148 requires that any arbitrage profit earned on the proceeds of tax-exempt bonds issued after 1985 must be rebated to the federal government at least once every five years, with the balance rebated no later than 60 days after the retirement of the bonds.

Arbitrage rebate expense, which is presented as a reduction in the amount of interest income from investments, for the year ended June 30, 2015 was approximately $64,000 in total for the State Guaranteed and Non-State Guaranteed Fund Groups.

Cash and Cash Equivalents

The Bond Bank considers all checking and savings deposits and highly liquid investments with original maturities of three months or less to be cash equivalents.

Investments

Investments are carried at fair value. Changes in fair value are recorded as net increase or decrease in the fair value of investments on the statements of revenues, expenses and changes in net position. Interest earnings on principal-only strips within the State Guaranteed and Non-State Guaranteed Fund Groups have been recorded as interest income from investments. Reserve fund investments that are not expected to be utilized to fund bond principal and interest payments until after June 30, 2016 have been classified as long-term.

Bond Discounts, Premiums and Issuance Costs

Costs associated with issuing debt, which are generally paid by means of fees collected from governmental units, are expensed in the year incurred. However, bond insurance costs and original issue discounts or premiums associated with bond issues are deferred and are being amortized to interest expense over the life of the bond issues using the straight-line method. For each refunding, bond discounts (premiums) are presented as a reduction of (increase to) the face amount of bonds payable (note 4), whereas insurance costs are recorded as deferred charges included in unamortized bond insurance costs.

2. Significant Accounting Policies (Continued)

Pension Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources, and pension expense, information about the fiduciary net position of the New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan (the Pension Plan) and additions to/deductions from the Pension Plan's fiduciary net position have been determined on the same basis as they are reported by the Pension Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Refundings

All advanced refundings completed subsequent to July 1, 1993 within the Bond Bank's municipal division are accounted for in accordance with the provisions of GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*. Under GASB Statement No. 23, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the remaining life of the old debt, or the life of the new debt, whichever is shorter, using the straight-line method. The unamortized portion of the deferred amount is reported as a deferred outflow of resources. Amortization for the year ended June 30, 2015 was approximately $17,000 and $2,214,000 for the State Guaranteed and Non-State Guaranteed Fund Groups, respectively.

The gains, losses and economic benefits of advance refundings completed within the Educational Institution Division inure to the respective institution and not the Bond Bank. The Board of Directors determines what percentage, if any, of the gains, losses and economic benefits of advanced refunding within the Municipal Divisions gets passed on to the respective governmental units. Refunding benefits for governmental units are distributed to the governmental units as a one-time, upfront, rebate or as reduced debt service payments allocated over the remaining life of the refunded bonds. If the refunding benefits are distributed as a one-time, upfront, rebate, the refunding benefits are deferred and amortized over the life of the refunded bonds (which is equivalent to the life of the loans receivable) using a method which approximates the effective interest method.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Bond Bank to make estimates and assumptions that affect the amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Total Columns

The "total" columns contain the totals of the similar accounts of the various funds. Since the assets of the funds are restricted, the combination of the accounts, including assets therein, is for convenience only and does not indicate that the combined assets are available in any manner other than that provided for in the separate funds.

2. Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which was amended by Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* These statements establish standards for reporting a pension asset or liability on the statement of net position for a defined benefit plan that is based on the fiduciary plan net position, rather than plan funding. The employer's annual pension expense is no longer connected to the funding of the plan. This results in pension expense being different from the actuarially determined annual required contributions. The Bond Bank adopted these two statements in the fiscal year ended June 30, 2015. The impact of adoption of these statements is described in note 5.

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. Management is currently evaluating the impact this statement will have on the Bond Bank's financial statements.

3. Cash, Cash Equivalents and Investments

At June 30, 2015, the bank balance of the Bond Bank's operating cash accounts (not held by trustee) was $34,321.

Cash includes funds held in interest bearing demand deposit and savings accounts, which, at times, may exceed amounts guaranteed by the Federal Deposit Insurance Corporation. The Bond Bank has not experienced any losses in such accounts and management believes the Bond Bank is not exposed to any significant risk of loss on cash.

Investments held by trustee and Reserve Fund investments held by trustee consist primarily of U.S. Treasury obligations, U.S. Government-sponsored enterprises, New Hampshire government obligations, and shares of money market funds which invest in U.S. Government and Government Agency obligations. All investments are held by a trustee in the Bond Bank's name. In addition to the above, the Bond Bank's internal investment policies allow operating investments to include fixed-income mutual funds which hold diversified portfolios in investment-grade debt securities.

The Act and each of the Municipal Division's general bond resolutions under the State Guaranteed Fund Group and the Non-State Guaranteed Fund Group require the establishment of a debt service reserve fund. These resolutions are secured separately from all other general bond resolutions of the Bond Bank. Amounts on deposit in the debt service reserve fund of each of these resolutions are held by the trustee under each of such general bond resolutions. Investment earnings on amounts held in each respective debt service reserve fund are restricted to the payment of debt service on bonds of the Bond Bank issued pursuant to each respective general bond resolution for the purpose of funding each respective debt service reserve fund. Each of these resolutions pledges its debt service reserve fund to the payment of debt service in the event of a governmental unit payment default.

3. Cash, Cash Equivalents and Investments (Continued)

The 1978 and 1979 Resolutions require their respective debt service funds be sized to meet the maximum amount of maturing municipal bond debt service in any calendar year. The 2005 Resolution requires that for each issue of bonds, the reserve fund requirement shall equal the lesser of (i) 10% of the aggregate original net proceeds of such Series of Bonds, (ii) 125% of the average annual aggregate Debt Service on such Bonds, or (iii) the maximum aggregate amount of Debt Service due on such Bonds in any succeeding bond year. This requirement is subject to change by an amendment to the 2005 Resolution under certain circumstances, but only once 100 loans have been made by the Bank under the 2005 Resolution. Through June 30, 2015, the Bank had made 78 loans under the 2005 Resolution.

As permitted by the bond resolution, any funds not required for loans to government units or deposit to reserve funds, may be held by the Bond Bank as unrestricted investments. These amounts are classified as investments within the General Operating Fund Group.

Reserve Fund investments and investments held by trustee must be invested in any of the following obligations; (a) direct obligations of the United States of America or direct obligations of the State or obligations for which the faith and credit of the United States of America or the State is pledged to provide for the payment of the principal and interest, (b) any bond, debenture, note, participation or other similar obligation issued by the Federal National Mortgage Association, and (c) any other obligation of the United States of America or any Federal agencies which may then be purchased with funds belonging to the State or held in the State Treasury.

Investments of the Bond Bank consist of short-term money market funds that are 100% collateralized by government securities and investments in U.S. Treasury, U.S. Government-sponsored enterprise securities and N.H. G.O. Capital improvement bonds. At June 30, 2015, investments are categorized as follows:

	Fair Value
General Operating Fund Group	
Investments held by trustee:	
Cash equivalents	$ 463,132
Operating investments:	
Fixed income – mutual funds	$ 4,069,537
State Guaranteed Fund Group	
Investments held by trustee:	
Cash equivalents	$ 61,273
Reserve fund investments held by trustee:	
U.S. Treasury strips	$ 422,504
Qualified School Construction Fund Group	
Investments held by trustee:	
Cash equivalents	$ 41
Non-State Guaranteed Fund Group	
Investments held by trustee:	
Cash equivalents	$13,703,195

3. Cash, Cash Equivalents and Investments (Continued)

Reserve fund investments held by trustee:	
Cash equivalents	$ 3,813,456
U.S. Government obligations	40,521,700
U.S. Treasury strips	17,115,947
U.S. Government-sponsored enterprises strips[1]	14,070,434
N.H. G.O. capital improvement bonds	22,235,913
	$97,757,450

[1] Includes FHLMC, FNMA and REFCORP.

The investment of general operating funds is to provide income to supplement administration of current programs, provide a source of capital for new programs, reduce susceptibility to unanticipated expenditures or revenue shortfalls, and to help maintain credit ratings. Relative to the investment of bond funds, as a means of limiting its exposure to fair value losses arising from rising interest rates, the Bond Bank's investment policy provides that investment maturities be closely matched with future bond principal and interest requirements, which are the primary use of invested assets. The Bond Bank's general practice has been to hold debt securities to their maturity, at which point the funds are needed to make required bond principal and interest payments for the respective resolutions. The following table provides information on future maturities of the Bond Bank's investments as of June 30, 2015:

	Fair Value	Less than One Year	One to Five Years	Six to Ten Years	More than Ten Years
General Operating Fund Group					
Fixed income – mutual funds	$ 4,069,537	$4,069,537	$ –	$ –	$ –
	$ 4,069,537	$4,069,537	$ –	$ –	$ –
State Guaranteed Fund Group					
U.S. Treasury strips	$ 422,504	$ 39,989	$ 382,515	$ –	$ –
	$ 422,504	$ 39,989	$ 382,515	$ –	$ –
Non-State Guaranteed Fund Group					
U.S. Government obligations	$40,521,700	$1,916,605	$ 1,859,459	$23,161,696	$13,583,940
U.S. Treasury strips	17,115,947	2,825,342	9,783,467	4,507,138	–
U.S. Government-sponsored enterprises strips	14,070,434	319,559	6,043,275	5,961,659	1,745,941
N.H. G.O. capital improvement bonds	22,235,913	–	–	–	22,235,913
	$93,943,994	$5,061,506	$17,686,201	$33,630,493	$37,565,794

3. Cash, Cash Equivalents and Investments (Continued)

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Bond Bank will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Bond Bank's investments are held by People's United Bank, a state-charted and publicly traded commercial bank. Management of the Bond Bank is not aware of any issues with respect to custodial credit risk at People's United Bank at June 30, 2015.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Bond Bank. The Bond Bank's investment policy limits its investments to those with high credit quality such as U.S. Treasury Obligations and U.S. Government-sponsored enterprises.

Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are considered to have minimal credit risk.

At June 30, 2015, the Bond Bank is invested in the State of New Hampshire's general obligation capital improvement bonds within the Non-State Guaranteed Fund Group.

The Bond Bank has invested some of its long-term funds in U.S. Treasury and U.S. Government-sponsored enterprises principal-only strips in order to maximize yields coincident with cash needs for operations, debt service, and arbitrage. These securities are similar to zero coupon bonds which are purchased deeply discounted, with the Bond Bank receiving its only repayment stream at maturity; therefore, they are sensitive to interest rate changes. These securities are reported at fair value in the statement of net position. At June 30, 2015, the fair value of these investments is approximately $423,000 and $31,186,000 with the State Guaranteed and Non-State Guaranteed Fund Groups, respectively.

4. Bonds Payable

The carrying amount of bonds payable at June 30, 2015, by program, are as follows:

Municipal Division:	
State Guaranteed	$ 1,262,950
Qualified School Construction	35,025,000
Non-State Guaranteed	888,309,558
	$ 924,597,508

4. Bonds Payable (Continued)

Following is a comprehensive summary of bonds payable, with original interest rates, by program at June 30, 2015:

Municipal Division – State Guaranteed

Series 2009 B Refunding Bonds, maturing August 15, 2009 to August 15, 2017 with interest ranging from 2.25% to 4.00%	$1,190,000
	1,190,000
Net unamortized original issue premium	72,950
Bonds payable	1,262,950
Current portion	329,320
Noncurrent portion	$ 933,630

The above bonds payable will mature as follows, with interest payable semiannually:

Fiscal year Ending June 30,	Principal	Interest	Total
2016	$ 295,000	$40,225	$ 335,225
2017	285,000	30,100	315,100
2018	610,000	12,200	622,200
	$1,190,000	$82,525	$1,272,525

Municipal Division – Qualified School Construction Bond

Series 2010 C Bonds maturing September 15, 2011 to September 15, 2026 with interest at 5.39%	$35,025,000
Current portion	2,940,000
Noncurrent portion	$32,085,000

The above bonds payable will mature as follows, with interest payable semiannually:

Fiscal year Ending June 30,	Principal	Interest	Total
2016	$ 2,940,000	$ 1,808,615	$ 4,748,615
2017	2,925,000	1,650,553	4,575,553
2018	2,925,000	1,492,895	4,417,895
2019	2,925,000	1,335,238	4,260,238
2020	2,925,000	1,177,580	4,102,580
2021 – 2025	14,565,000	3,529,507	18,094,507
2026 – 2027	5,820,000	313,698	6,133,698
	$35,025,000	$11,308,086	$46,333,086

4. Bonds Payable (Continued)

Municipal Division – Non-State Guaranteed

Series 2003 D Bonds, maturing August 15, 2004 to August 15, 2023, with interest ranging from 2% to 5%	$ 6,300,000
Series 2005 A Refunding Bonds, maturing August 15, 2009 to August 15, 2015 with interest ranging from 3% to 5%	390,000
Series 2005 B Bonds, maturing August 15, 2006 to August 15, 2015 with interest ranging from 4% to 5%	3,830,000
Series 2006 A Bonds, maturing August 15, 2007 to August 15, 2016 with interest ranging from 4% to 5%	5,730,000
Series 2006 B Bonds, maturing January 15, 2008 to January 15, 2017 with interest ranging from 4.25% to 5%	1,825,000
Series 2007 A Refunding Bonds, maturing August 15, 2008 to February 15, 2029 with interest ranging from 3.75% to 4.50%	36,285,000
Series 2007 B Bonds, maturing August 15, 2008 to August 15, 2017 with interest ranging from 4% to 5%	9,060,000
Series 2007 C Bonds, maturing January 15, 2009 to January 15, 2018 with interest ranging from 4.25% to 5.25%	1,305,000
Series 2008 A Bonds, maturing August 15, 2009 to August 15, 2037 with interest ranging from 4% to 5.25%	28,630,000
Series 2008 B Bonds, maturing January 15, 2010 to January 15, 2029 with interest ranging from 4.50% to 5.875%	6,855,000
Series 2009 A Refunding Bonds, maturing August 15, 2009 to February 15, 2026 with interest ranging from 2.50% to 4.25%	3,600,000
Series 2009 C Bonds, maturing August 15, 2010 to August 15, 2029 with interest ranging from 3.00% to 5.00%	15,690,000
Series 2009 D Bonds, maturing July 15, 2010 to July 15, 2039 with interest ranging from 2.50% to 5.50%	25,480,000
Series 2009 E Bonds, maturing January 15, 2011 to January 15, 2030 with interest ranging from 3.00% to 5.00%	22,140,000
Series 2010 A Refunding Bonds, maturing August 15, 2010 to August 15, 2022 with interest ranging from 2.00% to 5.00%	80,800,000
Series 2010 B Bonds, maturing August 15, 2011 to August 15, 2039 with interest ranging from 3.00% to 5.00%	92,630,000
Series 2010 D Bonds, maturing January 15, 2012 to January 15, 2031 with interest ranging from 3.00% to 5.00%	1,630,000
Series 2011 A Bonds, maturing August 15, 2011 to August 15, 2021 with interest ranging from 2.00% to 4.50%	5,805,000
Series 2011 B Bonds, maturing August 15, 2012 to August 15, 2031 with interest ranging from 2.00% to 4.00%	19,365,000
Series 2011 C Bonds, maturing January 1, 2012 to January 1, 2026 with interest ranging from 2.00% to 4.00%	6,195,000
Series 2011 D Bonds, maturing February 15, 2012 to February 15, 2024 with interest ranging from 2.00% to 5.00%	43,225,000
Series 2011 E Bonds, maturing January 15, 2013 to January 15, 2041 with interest ranging from 3.00% to 5.00%	30,995,000
Series 2011 F Bonds, maturing from July 15, 2012 to July 15, 2021 with interest ranging from 2.00% to 4.00%	4,095,000
Series 2012 A Refunding Bonds, maturing August 15, 2012 to February 15, 2025 with interest ranging from 2.00% to 5.00%	34,830,000

4. **Bonds Payable (Continued)**

Municipal Division – Non-State Guaranteed (Continued)

Series 2012 B Bonds, maturing August 15, 2013 to August 15, 2032 with interest ranging from 2.00% to 5.00%	$ 15,505,000
Series 2012 C Bonds, maturing February 15, 2013 to February 15, 2039 with interest ranging from 2.00% to 5.00%	33,885,000
Series 2012 D Bonds, maturing February 15, 2014 to February 15, 2033 with interest ranging from 2.00% to 5.00%	6,975,000
Series 2013 A Refunding Bonds, maturing August 15, 2018 to August 15, 2025 with interest ranging from 3.00% to 5.00%	29,090,000
Series 2013 B Refunding Bonds, maturing August 15, 2013 to February 15, 2020 with interest ranging from 0.25% to 2.10%	25,015,000
Series 2013 C Bonds, maturing August 15, 2014 to August 15, 2033 with interest ranging from 4.00% to 5.50%	50,410,000
Series 2014 A Bonds, maturing August 15, 2015 to August 15, 2034 with interest ranging from 3.00% to 5.00%	65,695,000
Series 2014 B Refunding Bonds, maturing February 15, 2016 to February 15, 2035 with interest ranging from 3.00% to 5.00%	20,175,000
Series 2015 A Refunding Bonds, maturing August 15, 2015 to August 15, 2036 with interest ranging from 3.00% to 5.00%	81,470,000
Series 2015 B Refunding Bonds, maturing August 15, 2015 to August 15, 2020 with interest of 5.00%	24,210,000
	839,120,000
Net unamortized original issue premium	49,189,558
Bonds payable	888,309,558
Current portion	76,325,482
Noncurrent portion	$ 811,984,076

The above bonds payable will mature as follows, with interest payable semiannually:

Fiscal year Ending June 30,	Principal	Interest	Total
2016	$ 71,745,000	$ 35,154,090	$ 106,899,090
2017	71,130,000	32,995,565	104,125,565
2018	61,755,000	30,135,721	91,890,721
2019	61,030,000	27,417,424	88,447,424
2020	65,550,000	24,692,769	90,242,769
2021 – 2025	263,900,000	85,079,345	348,979,345
2026 – 2030	126,740,000	39,395,063	166,135,063
2031 – 2035	74,505,000	18,436,571	92,941,571
2036 – 2040	41,800,000	5,904,531	47,704,531
2041	965,000	39,806	1,004,806
	$ 839,120,000	$ 299,250,885	$1,138,370,885

4. Bonds Payable (Continued)

Some bonds contain provisions for prepayment at the Bond Bank's option. All bonds are secured by the payment stream of loans receivable from governmental units or institutions. The monies in the reserve funds shall be held and applied solely to the payment of the interest and principal of the reserve fund bonds as they become due and payable and for the retirement of the reserve fund bonds. In the event of a deficiency in an interest and/or principal payment from the governmental units or institutions, transfers can be made from the general reserve funds to cover the shortfall. If this transfer creates a deficiency in the required amount of the reserve funds, the State can annually appropriate and cover such deficiency through the moral obligation. Reserve funds of one division (as defined in note 1) cannot be used to cover deficiencies of another division.

In periods of declining interest rates, the Bond Bank has refunded certain bond obligations by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. The Bond Bank accounts for these transactions by removing the U.S. Treasury obligations and liabilities for the in-substance defeased bonds from its records, and records a deferred amount on refunding. As of June 30, 2015, defeased bonds payable by irrevocable trusts were approximately $143,580,000.

On November 20, 2014, the Bedford School District refinanced its outstanding loan balance relating to the 2005D series Non-State Guaranteed Fund Group bonds through the issuance of general obligation refunding bonds, which were issued by the Bedford School District on a standalone basis, and not through an additional loan from the Bond Bank. The Bedford School District repaid the outstanding loan receivable balance due the Bond Bank of $35,330,000 at the date of refinance. An irrevocable trust has been established to provide for all future debt service payments for the 2005D series bonds, and the Bond Bank has removed the associated liability from its financial statements. As of June 30, 2015, the balance in the irrevocable trust was $35,330,000.

On December 23, 2014, the Bond Bank issued $12,830,000 in Non-State Guaranteed Fund Group bonds with an average coupon rate of 4.55% to refund $14,330,000 of various outstanding maturities of the 2005C series bonds with an average coupon rate of 4.71%. The net proceeds of approximately $14,660,000, including bond premium of approximately $2,000,000 and after payment of approximately $170,000 in underwriting fees, insurance and other issuance costs, were used to purchase U.S. government securities which will provide for all future debt service payments on the refunded bonds. Although the refunding resulted in the recognition of a deferred accounting loss of approximately $29,000 in the year ended June 30, 2015, the Bond Bank in effect reduced its aggregate debt service payments by approximately $2,377,000 over the next thirteen years and obtained an economic gain (difference between the present value of the old and new debt service payments) of approximately $2,034,000. The refunding resulted in a net present value savings of 14.19% of the refunded bonds.

4. Bonds Payable (Continued)

On April 2, 2015, the Bond Bank issued $76,060,000 in Non-State Guaranteed Fund Group bonds with an average coupon rate of 4.52% to advance refund $26,705,000 of various outstanding maturities of the 2006A series bonds with an average coupon rate of 4.71%, $8,485,000 of various outstanding maturities of the 2006B series bonds with an average coupon rate of 4.11%, $39,900,000 of various outstanding maturities of the 2007B series bonds with an average coupon rate of 4.88%, and $5,660,000 of various outstanding maturities of the 2007C series bonds with an average coupon rate of 4.35%. The net proceeds of approximately $87,652,000, including bond premium of approximately $12,168,000 and after payment of approximately $576,000 in underwriting fees and other issuance costs, were used to purchase U.S. government securities which will provide for all future debt service payments on the refunded bonds. Although the refunding resulted in the recognition of a deferred accounting loss of approximately $5,977,000 in the year ended June 30, 2015, the Bond Bank in effect reduced its aggregate debt service payments by approximately $9,092,000 over the next twenty-two years and obtained an economic gain (difference between the present value of the old and new debt service payments) of approximately $7,149,000. The refunding resulted in a net present value savings of 8.85% of the refunded bonds.

On May 21, 2015, the Bond Bank issued $24,210,000 in Non-State Guaranteed Fund Group bonds with an average coupon rate of 5.00% to refund $26,470,000 of various outstanding maturities of the 2005A series refunding bonds with an average coupon rate of 4.08%. The net proceeds of approximately $27,021,000, including bond premium of approximately $2,982,000 and after payment of approximately $171,000 in underwriting fees, insurance and other issuance costs, were used to purchase U.S. government securities which will provide for all future debt service payments on the refunded bonds. Although the refunding resulted in the recognition of a deferred accounting loss of approximately $52,000 in the year ended June 30, 2015, the Bond Bank in effect reduced its aggregate debt service payments by approximately $2,123,000 over the next six years and obtained an economic gain (difference between the present value of the old and new debt service payments) of approximately $2,038,000. The refunding resulted in a net present value savings of 8% of the refunded bonds.

The following summarizes bonds payable activity for the Bond Bank for the year ended June 30, 2015:

	State Guaranteed Fund Group	Qualified School Construction Fund Group	Non-State Guaranteed Fund Group
Balance, beginning of year	$2,017,327	$37,970,000	$ 910,532,373
Issuances	–	–	191,550,000
Redemptions	(720,057)	(2,945,000)	(71,095,000)
Refunded principal	–	–	(156,880,000)
Capitalized premiums	–	–	18,168,911
Amortization of premiums	(34,320)	–	(3,966,726)
Balance, end of year	$1,262,950	$35,025,000	$ 888,309,558

5. Adoption of New Accounting Pronouncement

As discussed in note 2, the Bond Bank adopted the provisions of GASB 68, *Accounting and Financial Reporting for Pensions*, amended by Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, as of July 1, 2014. Among other provisions, GASB 68 requires that pension assets or obligations be retroactively reported on the fiduciary plan net position, rather than plan funding on the statement of net position for a defined benefit plan.

The net position of the Bond Bank's Operating Fund Group as of July 1, 2014 was restated to adopt the provisions of GASB 68. The following table summarizes the changes in the affected statement of position line items (total column amounts) as of the adoption of GASB 68 on July 1, 2014:

	Increase (Decrease)		
	As Previously Reported	Accounting Change	As Restated
Pension contributions	$ –	$ 16,030	$ 16,030
Accrued pension liability	–	222,431	222,431
Total net position – July 1, 2014	18,159,777	(206,401)	17,953,376

6. Cost-Sharing Pension Plan

General Information about the Pension Plan

Plan description – The Bond Bank participates in a Cost-Sharing Multiple Employer Defined Benefit Pension Plan (the Pension Plan) administered by the New Hampshire Retirement System (NHRS).

The Pension Plan was established in 1967 by RSA 100-A: 2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State of New Hampshire are eligible and required to participate in the Pension Plan. The NHRS issues a publically available financial report that includes financial statements and required supplementary information for the Pension Plan. That report may be obtained on the NHRS website.

The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II. All assets are held in a single trust and are available to pay retirement benefits to all members. Bond Bank employees participate in Group I, which is further described below.

Benefits provided – Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC), multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service. Members may also qualify for vested deferred allowances, disability allowances and death benefit allowances subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation and/or service.

6. Cost-Sharing Pension Plan (Continued)

Contributions – By statute, the Board of Trustees of the NHRS is responsible for the certification of employer and employee contribution rates, which are determined through the preparation of biennial valuations of the NHRS's assets by the NHRS's actuary using the entry age normal cost method. The Bond Bank's payroll for the year ended June 30, 2015 for employees covered by the Plan was approximately $153,500, which was 88% of payroll. The Bond Bank is required to contribute at an actuarially determined rate that, when combined with the contributions of other reporting entities, will be adequate to fund the Plan.

The Bond Bank's contributions for the years ended June 30, 2015, 2014 and 2013 were $16,030, $12,851 and $13,558 (employer) and $10,748, $10,608 and $10,887 (employee), respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to the Pension Plan

At June 30, 2015, the Bond Bank reported a liability of $185,468 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Bond Bank's proportionate share of the net position liability was based on a projection of the Bond Bank's long-term share of contributions to the Pension Plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2014, the Bond Bank's proportion was 0.0049%, which was a decrease of 0.0003 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Bond Bank recognized pension expense of approximately $11,400 within the General Operating Fund Group. At June 30, 2015, the Bond Bank reported deferred outflows of resources and deferred inflows of resources related to the Pension Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ –	$23,731
Changes in proportion and differences between Bond Bank contributions and proportionate share of contributions	–	8,033
Bond Bank contributions subsequent to the measurement date	16,523	–
Total	$16,523	$31,764

The above total of $16,523 reported as deferred outflows of resources related to the Pension Plan resulting from Bond Bank contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized as a (reduction) increase in pension expense as follows:

6. Cost-Sharing Pension Plan (Continued)

Year Ended June 30	
2016	$ (7,941)
2017	(7,941)
2018	(7,941)
2019	(7,941)

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following methods and assumptions, applied to all periods included in the measurement:

Actuarial Cost Method – The Entry Age Normal actuarial funding method is used to determine costs. Under this funding method, the total employer contribution rate consists of two elements, the normal cost rate and the unfunded actuarial liability (UAL) rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each member. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of his/her expected future salary. The normal cost for each member is the product of his/her pay and his/her normal cost rate. The normal cost for the group is the sum of the normal costs for all members. Experience gains and losses, i.e., decreases or increases in liabilities and/or in assets when actual experience differs from the actuarial assumptions, affect the unfunded actuarial accrued liability.

Asset Valuation Method – The actuarial valuation employs a technique for determining the actuarial value of assets which dampens the swing in the market value. The specific technique adopted in this valuation recognizes in a given year a five year smoothed market for funding purposes for investment return.

Amortization – The net pension liability is amortized on a closed basis over a period of 25 years.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2014 and June 30, 2013 are as follows:

Investment Rate of Return – 7.75% per annum, compounded annually

Salary Increases, Merit and Inflation – 3.75% to 5.80% per year

Mortality Rates – based on RP-2000 mortality table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

Inflation increases – 3.00% per annum (price) and 3.75% per annum (wage)

6. Cost-Sharing Pension Plan (Continued)

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of June 30, 2014 are summarized in the following table.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities:		
Large cap	22.50%	3.25%
Small/Mid cap	7.50	3.25
International equities:		
Unhedged	13.00	4.25
Emerging	7.00	6.50
Fixed income:		
Core bonds	18.00	(0.47)
High-yield bonds	1.50	1.50
Global bonds (unhedged)	5.00	(1.75)
Emerging market debt	0.50	2.00
Alternative investments:		
Private equity	5.00	5.75
Private debt	5.00	5.00
Real estate	10.00	3.25
Opportunistic	5.00	2.50

Discount Rate - The discount rate used to measure the collective total pension liability was 7.75% for 2014 and 2013. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the Bond Bank's proportionate share of the net pension liability as of June 30, 2014 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 7.75%.

	1% Decrease	Current Discount Rate	1% Increase
Bond Bank's proportionate share of the net pension liability	$244,292	$185,468	$135,842

6. Cost-Sharing Pension Plan (Continued)

Changes in net pension liability are recognized in pension expense for the year ended June 30, 2015 with the following exceptions.

Differences between expected and actual experience – The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. For the 2014 actuarial valuation, this was 5.6 years.

Changes in Assumptions – Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. There were no changes in assumptions for the Pension Plan in 2014.

Differences between Projected and Actual Investment Earnings – Differences between projected and actual investment earnings were recognized in pension expense using a straight-line amortization method over a closed five-year period.

Changes in Employer Proportionate Share and Differences between Employer Contributions and Proportionate Share of Contributions – Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. There are no differences between employer contributions and the proportionate share of contributions because the Pension Plan utilizes employer contributions as a method of allocation.

7. Subsequent Events

On July 16, 2015, the Bond Bank issued $6,245,000 in Non-State Guaranteed Fund Group bonds. The issue included $6,245,000 for loans to four municipalities. The coupon rate ranged from 2.00% to 4.00% with a True Interest Cost (TIC) of 2.72%.

REQUIRED SUPPLEMENTARY INFORMATION

NEW HAMPSHIRE MUNICIPAL BOND BANK

SCHEDULE OF THE BOND BANK'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY

Last 2 Fiscal Years*

	2015	2014
Bond Bank's proportion of the net pension liability	0.0049%	0.0052%
Bond Bank's proportionate share of the net pension liability	$185,468	$222,431
Bond Bank's covered-employee payroll	153,500	151,500
Bond Bank's proportionate share of the net pension liability as a percentage of its covered-employee payroll	120.8%	146.8%
Plan fiduciary net position as a percentage of the total pension liability	66.32%	59.81%

* The amounts presented for each fiscal year were determined as of the beginning of the fiscal year. Data has been provided for fiscal years in which the data is available.

NEW HAMPSHIRE MUNICIPAL BOND BANK

SCHEDULE OF THE BOND BANK'S PENSION CONTRIBUTIONS

Last 10 Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	$ 16,030	$ 12,851	$ 13,558	$ 13,364	$ 12,762	$ 11,631	$ 11,047	$ 7,520	$ 8,498	$ 9,803
Contributions in relation to the contractually required contribution	(16,030)	(12,851)	(13,558)	(13,364)	(12,762)	(11,631)	(11,047)	(7,520)	(8,498)	(9,803)
Contribution deficiency (excess)	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Bond Bank's covered-employee payroll	$153,500	$151,500	$155,500	$147,000	$139,700	$133,100	$126,400	$110,400	$124,800	$166,200
Contributions as a percentage of covered-employee payroll	10.44%	8.48%	8.72%	9.09%	9.14%	8.74%	8.74%	6.81%	6.81%	5.9%